

Electronically Recorded

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Mary Louise Garcia

Mary Louise Garcia

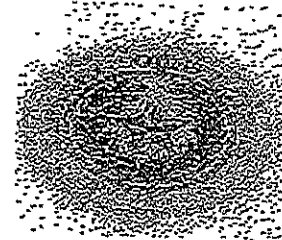
Tarrant County Texas

2/11/2011 1:20 PM

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PGS 13 \$64.00

Submitter: ACS



DALE PROPERTY SERVICES, LLC
ATTN: RECORDING TEAM
500 TAYLOR ST. STE 600
FORT WORTH, TEXAS 76102

Submitter: DALE PROPERTY SERVICES, LLC

**MARY LOUISE GARCIA
TARRANT COUNTY CLERK
TARRANT COUNTY COURTHOUSE
100 WEST WEATHERFORD
FORT WORTH, TX 76196-0401**

DO NOT DESTROY

WARNING – THIS IS PART OF THE OFFICAL RECORD

**ELECTONICALLY RECORDED
BY ACS ERXCHANGE**

NOTICE OF CONFIDENTIALITY RIGHTS: IF YOU ARE A NATURAL PERSON, YOU MAY REMOVE OR STRIKE ANY OR ALL OF THE FOLLOWING INFORMATION FROM ANY INSTRUMENT THAT TRANSFERS AN INTEREST IN REAL PROPERTY BEFORE IT IS FILED FOR RECORD IN THE PUBLIC RECORDS: YOUR SOCIAL SECURITY NUMBER OR YOUR DRIVER'S LICENSE NUMBER.

OIL AND GAS LEASE
(No Surface Use; Paid Up Lease)

Electronically Recorded
Chesapeake Operating, Inc.

This Oil and Gas Lease (this "Lease") is made on DECEMBER 1, 2010 between Ronald V. Franco (hereafter called "Lessor"), whose address is P.O. Box 2487 Culver City, CA 90231, and CHESAPEAKE EXPLORATION, L.L.C., (hereafter called "Lessee") an Oklahoma limited liability company, whose address is P.O. Box 18496, Oklahoma City, Oklahoma 73154-0496.

1. Grant. In consideration of Ten Dollars and other consideration in hand paid, Lessor grants and leases exclusively unto Lessee the land described in attached Exhibit A (the "Land") in Tarrant County, Texas, for the sole purpose of exploring, drilling, and producing oil and gas, and to produce, save and transport oil and gas and other products manufactured from oil and gas produced from the Land, but only as to all depths below 1,000 feet beneath the surface. This lease also covers and includes any interest which Lessor may own in any street, alley, highway, railroad, canal, river, body of water, contiguous or adjacent to the Land, whether the same be in said survey or surveys or in adjacent surveys, although not included within the boundaries of the land particularly described above. Notwithstanding anything contained to the contrary in this Lease, Lessee shall not have any rights to enter on or use the surface of the Land for drilling or any other operations or purpose.

2. Primary Term. This Lease is for a term of two (2) years from the date first written above (called "Primary Term") and so long thereafter as oil or gas is produced from the Land in paying quantities. Lessor, and their successors and assigns, hereby grants Lessee an option to extend the primary term of this lease for an additional period of two (2) years from the end of the primary term by paying or tendering to Lessor prior to the end of the primary term bonus consideration of \$5,000.00 per net mineral acre.

3. Minerals Covered. This Lease covers only oil and gas. The term "oil and gas" means oil, gas, and other liquid and gaseous hydrocarbons produced through a well bore. All other substances and minerals (including water) are excepted from this Lease and reserved to Lessor.

4. Royalty.

(a) As royalties, Lessee agrees:

(1) To pay to Lessor, on oil, gas, and other liquid hydrocarbons produced and saved from the Land, Twenty-Five (25%) Percent (the "Royalty Fraction") of the market value at the point of sale of such oil, gas, and other liquid hydrocarbons or at Lessor's option, which may be exercised from time to time, the Royalty Fraction of all oil, gas, and other liquid hydrocarbons produced and saved from the Land shall be delivered free of expense or cost or expense to Lessor at the wells or to the credit of Lessor at the pipeline to which the wells may be connected.

(2) To pay to Lessor:

(i) The Royalty Fraction of all oil (including distillate or condensate and other liquid hydrocarbons) produced and saved from the Land, the same to be delivered at the well or to the credit of Lessor into the pipeline to which the well or wells may be connected.

(ii) The Royalty Fraction of the gross proceeds received by Lessee at the point of delivery or first sale of all gas, including casinghead gas or other gaseous substances, produced from the Land.

(iii) The Royalty Fraction of the gross proceeds of all plant products (including residue gas), free of any processing cost, where gas is processed in a plant on or off the Land by Lessee or any affiliated person or entity, and if processed, but not by Lessee or an affiliated person or entity, the Royalty Fraction of that part of the gross proceeds received by Lessee for the processed gas and products therefrom that are allocable to the production from the Land.

(iv) On gas produced from the Land and sold by Lessee or used off the Land and to which the preceding subparagraphs (ii) and (iii) do not apply, the Royalty Fraction of the market value at the point of sale, use or other disposition.

(v) On gas produced from the Land that is processed in a processing plant in which Lessee or an affiliate of Lessee has a direct or indirect interest, the Royalty Fraction of the market value of the gas at the inlet to the processing plant, or the Royalty Fraction of the market value of all processed liquids saved from the gas at the plant plus the Royalty Fraction of the market value of all residue gas at the point of sale, use, or other disposition.

(vi) On gas produced from the Land that is processed in facilities other than a processing plant in which Lessee or an affiliate of Lessee has a direct or indirect interest, the Royalty Fraction of the gross proceeds at the plant of all processed liquids credited to the account of Lessee and attributable to the gas plus the Royalty Fraction of the gross proceeds of all residue gas at the point of sale, use, or other disposition.

(b) The market value of gas will be determined at the specific location by reference to the gross heating value (measured in British thermal units) and quality of the gas. The market value used in the calculation of oil and gas royalty will never be less than the total proceeds received by Lessee in connection with the sale, use, or other disposition of the oil and/or gas produced or sold. For purposes of this paragraph, if Lessee receives from a purchaser of oil or gas any reimbursement for all or any part of severance or production taxes, or if Lessee realizes proceeds of production after deduction for any expense of production, gathering, dehydration, separation, compression, transportation, treatment, processing, storage, marketing, or remediation, then the reimbursement or the deductions will be added to the total proceeds received by Lessee. Royalty will be payable on oil and gas produced from the Land and consumed by Lessee on the Land for compression, dehydration, fuel, or other use.

It is agreed between the Lessor and Lessee that, notwithstanding any language herein to the contrary, all oil, gas or other proceeds accruing to the credit or benefit of Lessor under this Lease or by state law shall be without deduction for the cost of producing, gathering, storing, separating, treating, dehydrating, compressing, processing, transporting and marketing the oil, gas and other products to be produced under the Lease; however, in the event Lessee determines in good faith that it can obtain a higher price at a market located outside of the local market, and Lessee incurs costs charged by an unaffiliated interstate or intrastate gas pipeline in order to enhance the value of the oil, gas or other products, Lessor's pro rata share of such costs may be deducted from Lessor's share of production, so long as they are based on Lessee's actual additional cost of such enhancements and only to the extent of the increase in price attributable to said enhancements. In no event shall Lessor ever receive a price that is less than the price to be received by Lessee. Lessee agrees to provide and make available to Lessor upon written request, Lessee's records maintained or utilized in connection with any efforts to enhance the value of the oil, gas or other products to be produced pursuant to and in connection with this Lease together with any costs paid or proceeds received by Lessee hereunder. It is the specific intent of the parties to this Lease that this provision is to be treated as enforceable as written and is not to be deemed "surplusage" under the principals set forth in *Heritage Resources, Inc. v. Nations Bank*, 939 S.W.2d 118 (Tex. 1996).

(c) If gas produced from the Land or lands pooled herewith is sold by Lessee pursuant to an arms-length contract with a purchaser that is not an affiliate of Lessee, and the

contract provides for net proceeds to be paid to Lessee that equal or exceed the market value of the gas at the point of delivery to the purchaser, and for a term no longer than that which is usual and customary in the industry at the time the contract is made, then the market value of the gas sold pursuant to the contract shall be the total proceeds received by Lessee in the sale, subject to the provisions of paragraph 4(b) above.

(d) Lessor shall be paid the Royalty Fraction of all payments and other benefits made under any oil or gas sales contract or other arrangement, including take-or-pay payments and payments received in settlement of disputes; provided that if Lessor receives a take-or-pay payment or similar payment for gas that has not been produced, and if the gas is subsequently produced, Lessor will receive only its Royalty Fraction of the market value of the volume of gas for which payment has not already been made.

5. Lessee must disburse or cause to be disbursed to Lessor its royalty on production from a particular well not later than 120 days following the first commercial sale of production. Thereafter, Lessee must disburse or cause to be disbursed to Lessor its royalty on production by the last day of the second month after the month of production. If not paid when due, Lessor's royalty will bear interest at the maximum lawful rate from due date until paid, which amount Lessee agrees to pay. Acceptance by Lessor of royalties that are past due will not act as a waiver or estoppel of its right to receive interest due thereon unless Lessor expressly so provides in writing signed by Lessor. Notwithstanding anything to the contrary contained in this Lease, should a royalty payment not be made for a period of ninety (90) days from the anniversary date of the due date as provided for in this Lease, unless there is then in effect another applicable preservation provision of this Lease, Lessor may, at Lessor's option, elect to terminate the applicable portion of this Lease by sending written notice to Lessee by certified mail. Lessee shall then have ninety (90) days from the date of service of such written notice in which to avoid termination of the Lease by making or causing to be made the proper royalty payment. If such royalty payment is not made on or before the expiration of said ninety (90) day period, or written approval is not obtained from Lessor to defer such payment, Lessor may elect to terminate the Lease by filing a Notice of Termination with the County Clerk in the county where the Land is located. The effective date of said termination shall be the date said Notice of Termination is filed with the said County Clerk. The royalty payment obligations under this Lease shall not be affected by any division order or the provisions of the Section 91.402 of the Texas Natural Resources Code or any similar statute. However, Lessor shall, upon request by Lessee execute a division order that conforms with Section 91.402 of the Texas Natural Resources Code. Any portion of the land not included in a unit which is held by production shall be released from the Lease. As used in this Lease, "affiliate" means (i) a corporation, joint venture, partnership, limited liability company, or other entity that owns more than ten (10%) percent of the outstanding voting interest of Lessee or in which Lessee owns more than ten (10%) percent of the outstanding voting interest; or (ii) a corporation, joint venture, partnership, limited liability company, or other entity in which, together with Lessee, more than ten (10%) percent of the outstanding voting interests of both Lessee and the other corporation, joint venture, partnership, limited liability company, or other entity is owned or controlled by the same persons or group of persons.

(a) The receipt by Lessee from a purchaser or a pipeline company of proceeds of production for distribution to Lessor will not result in Lessee acquiring legal or equitable title to those proceeds, but Lessee will at all times hold the proceeds in trust for the benefit of Lessor. .

6. **Shut-in Royalty.** While there is a gas well on this Lease, the Land or on lands pooled with the Land, which is capable of producing in paying quantities, but gas is not being sold, at the end of the Primary Term or any time thereafter, Lessee shall pay or tender in advance an annual shut-in royalty of \$100 per net mineral acre. Payment with respect to a well will be due within ninety (90) days after the well is shut-in. While shut-in royalty payments are timely and properly paid, this Lease will be held as a producing lease. The obligation of Lessee to pay shut-in royalty is a condition and not a covenant. The payment or tender of royalty under this paragraph may be made by the check of Lessee mailed or delivered to the parties entitled thereto on or before the due date. Lessee may exercise its right to make shut-in royalty payments as provided for herein from time to time; however, this Lease may be maintained by such shut-in payments only if Lessee is exercising reasonable, bona fide diligence and best efforts in attempting to produce, market and sell gas hereunder. Notwithstanding anything herein to the

contrary, this Lease shall not be maintained by shut-in royalty payments for periods totaling more than two (2) consecutive years or four (4) years in the aggregate.

7. Continuous Development. If, at the expiration of the Primary Term, oil or gas is not being produced from the Land or lands pooled herewith, but Lessee has commenced the drilling of a well on the Land or lands pooled herewith, the Lease will not terminate but will remain in effect for so long thereafter as operations are carried out with due diligence with no cessation of more than one hundred twenty (120) days, and if the operations result in the production of oil or gas, the Lease shall remain in force as otherwise provided herein. For the purposes of this Lease, the term "operations" means operations for any of the following: drilling, testing, completing, reworking, recompleting, deepening, plugging back, or repairing of a well in search for or in the endeavor to obtain production of oil or gas. Further, the term "production" in this Lease means production in paying quantities.

8. Pooling. Lessee shall have the right to pool all of the Land or interest therein with any other lands or interests, as to any or all depths or zones, and as to any or all substances covered by this lease, either before or after the commencement of production, whenever Lessee deems it necessary or proper to do so in order to prudently develop or operate the Land, whether or not similar pooling authority exists with respect to such other lands or interests. The unit formed by such pooling for an oil well which is not a horizontal completion shall not exceed 40 acres plus a maximum acreage tolerance of 10%, and for a gas well or a horizontal completion shall not exceed 640 acres plus a maximum acreage tolerance of 10%; provided that a larger unit may be formed for an oil well or gas well or horizontal completion to conform to any well spacing or density pattern that may be prescribed or permitted by any governmental authority having jurisdiction to do so. For the purpose of the foregoing, the terms "oil well" and "gas well" shall have the meanings prescribed by applicable law or the appropriate governmental authority, or, if no definition is so prescribed, "oil well" means a well with an initial gas-oil ratio of less than 100,000 cubic feet per barrel and "gas well" means a well with an initial gas-oil ratio of 100,000 cubic feet or more per barrel, based on 24-hour production test conducted under normal producing conditions using standard lease separator facilities or equivalent testing equipment; and the term "horizontal completion" means an oil or gas well in which the horizontal component of the gross completion interval in the reservoir exceeds the vertical component thereof. In exercising its pooling rights hereunder, Lessee shall file of record a written declaration describing the unit and stating the effective date of pooling. Production, drilling or reworking operations anywhere on a unit which includes all or any part of the Land shall be treated as if it were production, drilling or reworking operations on the Land, except that the production on which Lessor's royalty is calculated shall be that proportion of the total unit production which the net acreage covered by this Lease and included in the unit bears to the total gross acreage in the unit, but only to the extent such proportion of unit production is sold by Lessee. Pooling in one or more instances shall not exhaust Lessee's pooling rights hereunder, and Lessee shall have the recurring right but not the obligation to revise any unit formed hereunder by expansion or contraction or both, either before or after commencement of production, in order to conform to the well spacing or density pattern required by the governmental authority having jurisdiction, or to conform to any productive acreage determination made by such governmental authority; however, written consent of Lessor shall be first obtained before Lessee constricts a pooled unit that included the Land if any portion of the Land is removed from that pooled unit. If Lessee increases a pooled unit that includes any portion of the Land and if an additional well is not drilled on such increased pooled unit within (one) 1 year after the increase in the size of the pooled unit, then Lessee's share of revenues from the pooled unit shall be determined based on the size of the pooled unit before it was increased. Further, in making such a revision, Lessee shall file of record a written declaration describing the revised unit and stating the effective date of revision. To the extent any portion of the Land is included in or excluded from the unit by virtue of such revision, the proportion of unit production on which royalties are payable hereunder shall thereafter be adjusted accordingly. In the absence of production in paying quantities from a unit, or upon permanent cessation thereof, Lessee may terminate the unit by filing of record a written declaration describing the unit and stating the date of termination. Pooling hereunder shall not constitute a cross-conveyance of interests. Notwithstanding any language herein to the contrary, Lessee agrees to include all of the land in the North Skyline Unit.

9. **Offset Wells.** In the event a well (an "offsetting well") producing oil or gas is completed on adjacent or nearby land and is draining the land or land pooled therewith, the lessee must, within one hundred twenty (120) days after the initial sales from the offsetting well, commence operations for the drilling of an offset well on the land and must diligently pursue those operations to the horizon in which the offsetting well is producing, or at the option of the lessee, pay the lessor as a royalty each month a sum equal to the royalty that would be payable under this lease if the production from the offsetting well had come from the land. The obligation of the of the lessee to either drill an offset well, or pay compensatory royalty as required above shall not apply if there is already a well drilled on the acreage nearest the offsetting well that prevents drainage from the offsetting well. An offsetting well producing from a bottom hole location closer than 330 feet of the land shall be presumed to be draining the land.

10. **NO SURFACE OPERATIONS. NOTWITHSTANDING ANY LANGUAGE CONTAINED HEREIN TO THE CONTRARY, LESSEE HEREBY WAIVES AND RELEASES ALL SURFACE RIGHTS OF EVERY KIND AND NATURE ACQUIRED UNDER THIS LEASE, IF ANY. ACCORDINGLY, LESSEE SHALL NOT (I) CONDUCT ANY SURFACE OPERATIONS WHATSOEVER UPON THE LAND, (II) PLACE ANY PERSONAL PROPERTY, FIXTURES OR EQUIPMENT UPON THE LAND, OR (III) ENTER UPON THE LAND FOR ANY REASON OR FOR ANY AMOUNT OF TIME; HOWEVER, THIS LIMITATION SHALL NOT AFFECT THE RIGHT OF LESSEE OR ITS SUCCESSORS AND ASSIGNS TO UTILIZE THE SUBSURFACE OF THE LAND OR ENGAGE IN DIRECTIONAL OR HORIZONTAL DRILLING ACTIVITY WHICH COMES UNDER THE LAND AND/OR FROM POOLING IN ACCORDANCE WITH THIS LEASE, AS LONG AS SAID DRILLING ACTIVITY IS AT A DEPTH SO AS TO NOT INTERFERE WITH OR IN ANY WAY EFFECT THE PRESENT OR FUTURE USE OF THE SURFACE OF THE LAND FOR RESIDENTIAL OR ANY OTHER USE, AND IN NO EVENT MAY THE MINING OR DRILLING ACTIVITY PENETRATE THE LAND AT A DEPTH OF LESS THAN 1,000 FEET BELOW THE SURFACE, WITHOUT THE WRITTEN CONSENT OF LESSOR. FURTHER, LESSEE WILL MEET ALL CITY ORDINANCES IN THE DRILLING OF WELLS FROM SURFACE LOCATIONS THAT OFFSET THE LAND, BUT IN NO EVENT SHALL LESSEE DRILL A WELL AT A SURFACE LOCATION THAT IS WITHIN 1,000 FEET OF THE LAND, UNLESS LESSEE HAS RECEIVED A PERMIT ALLOWING SUCH LOCATIONS TO BE WITHIN 1,000 FEET OF SAID LAND OR LESSEE HAS OBTAINED WRITTEN WAIVERS FROM ALL PROPERTY OWNERS OF LANDS LOCATED WITHIN 1,000 FEET OF SUCH PROPOSED SURFACE DRILLSITE LOCATION. THIS PROVISION SHALL SURVIVE TERMINATION OF THE LEASE.**

11. **Assignments.** The rights and estate of any party hereto may be assigned from time to time in whole or in part and as to any mineral or horizon. Lessee shall notify Lessor in writing of any assignment or sublease of this Lease with the exception of assignments being made to officers, directors, working interest partners and/or subsidiaries of Lessee. Any such assignment of this lease in whole or in part shall not release the original named Lessee herein from any damages, liabilities or obligations attributable to, resulting or arising from, or incurred in connection with, any actions or inactions of Lessee prior to the effective date of such assignment. And all assignments by Lessee must require the assignee to assume all of Lessee's obligations under this Lease, and Lessee and its assignees and sublessee's shall be joint and severally liable for all of Lessee' obligations under this Lease.

12. **Force Majeure.** Should Lessee be wholly prevented by reason of Force Majeure from complying with any express or implied covenant of this Lease (other than a requirement to pay money that has accrued and was due prior to the Force Majeure event), from conducting drilling or reworking operations on lands pooled with the Land, then while so prevented, that covenant will be suspended; Lessee will not be liable for damages for failure to comply therewith; this Lease will be extended so long as Lessee is prevented from conducting drilling or reworking operations on or from lands pooled with the Land, but in no event for more than thirty six (36) months in the aggregate, and the time while Lessee is so prevented will not be counted against Lessee. "Force Majeure" means any Act of God, riot, war, strike, insurrection, any federal or state law, or any rule or regulation of governmental authority, or other similar cause (other than financial reasons) or for any other occurrence beyond Lessee's control, BUT

NOT for lack of a suitable market or price for the gas produced from the Land or lands pooled herewith. Before the provisions of this paragraph may be relied upon by Lessee, Lessee must first furnish written notice to Lessor, within a reasonable time after the first day of the provisions hereof are relied upon, of such event, giving the beginning date thereof; and, within sixty (60) days time after such event ceases, notify Lessor of the resumption of activities, and Lessee shall be obligated to seek exceptions from any order, rule, regulation of governmental authority if the facts would raise grounds for seeking exceptions. This paragraph is in all things subject to the limitations of time during which this Lease may be continued in force by the payment of shut-in gas royalties.

13. No Warranties. Lessor makes no warranty of any kind, either express or implied, with respect to title to the Land or the minerals subject to this Lease. However, if Lessor owns an interest in the Land or the minerals subject to this Lease less than the entire fee simple estate, then the royalties payable hereunder will be reduced proportionately. By acceptance of this Lease, Lessee acknowledges that it has been given full opportunity to investigate and has conducted sufficient investigation to satisfy itself as to the title to the Land and the minerals subject to this Lease, and Lessee assumes all risk of title failures, and in connection therewith Lessee shall have no recourse against Lessor, including no right to a refund of the bonus and royalties paid for or under this Lease. Further, in the event Lessor does not own all of the minerals subject to this Lease, Lessee agrees that it will not conduct operations or participate in operations upon the surface of the Land. This provision shall survive termination of the Lease.

14. Notices. All notices will be deemed given and reports will be deemed delivered if sent by certified letter, return receipt requested, properly addressed and deposited in the United States Postal Service, postage prepaid, to Lessor and Lessee at the addresses shown above. Either party may designate a new address by written notice to the other party.

15. Attorney's Fees. In the event that Lessor or Lessee is required to employ legal counsel for the enforcement of any provision of this Lease and receives a final unappealable judgment, the prevailing party will be entitled to recover from the other party the reasonable attorney's fees and expenses incurred by said party.

16. Insurance. At all times while this Lease is in force, Lessee shall acquire and maintain appropriate insurance covering all of its activities and operations hereunder, including any work performed on its behalf by contractors, subcontractors, and others. The policies shall include at least coverage for comprehensive general liability, for bodily injury and property damage, blowout and loss of well coverage, and coverage for any damage to the environment, including coverage for the cost of clean up and surface remediation, and shall follow the greater in coverage of the current and/or any future insurance requirements set forth in the applicable city's ordinances.

Indemnity. LESSEE AGREES TO INDEMNIFY AND HOLD HARMLESS LESSOR, AND LESSOR'S REPRESENTATIVES, EMPLOYEES, TRUSTEES, VOLUNTEERS, AGENTS, SUCCESSORS, AND ASSIGNS AGAINST ALL EXPENSES, CLAIMS, DEMANDS, LIABILITIES, AND CAUSES OF ACTION OF ANY NATURE, INCLUDING WITHOUT LIMITATION THOSE FOR INJURY TO OR DEATH OF PERSONS AND LOSS OR DAMAGE TO PROPERTY, WHETHER THE CLAIMS ARE BROUGHT OR PURSUED AS CLAIMS OF NEGLIGENCE, BREACH OF CONTRACT, NUISANCE, TORT, STRICT LIABILITY, OR OTHERWISE, AND INCLUDING, WITHOUT LIMITATION, REASONABLE ATTORNEY FEES, EXPERT FEES, AND COURT COSTS, CAUSED BY OR RELATED TO LESSEE'S ACTIVITIES AND OPERATIONS ON THE LAND, OR CLAIMS BROUGHT OR ASSERTED BY PERSONS OR ENTITIES IN CONNECTION WITH LESSEE'S OPERATIONS AND ACTIVITIES, OR LESSEE'S MARKETING OF PRODUCTION FROM THE LAND, OR ANY VIOLATION OF ANY ENVIRONMENTAL REQUIREMENTS BY LESSEE. LESSEE'S PAYMENT OR REIMBURSEMENT OBLIGATIONS UNDER THIS PROVISION SHALL BE REMEDIED WITHIN NINETY (90) DAYS OF LESSEE'S RECEIPT OF WRITTEN NOTICE OF SAID OBLIGATION. AS USED IN THIS PARAGRAPH, THE TERM "LESSEE" INCLUDES LESSEE, ITS AGENTS, EMPLOYEES, SERVANTS, CONTRACTORS, AND ANY OTHER PERSON ACTING

UNDER ITS DIRECTION AND CONTROL, AND ITS INDEPENDENT CONTRACTORS. ADDITIONALLY, UPON RECEIVING ANY NOTICE REGARDING ANY ENVIRONMENTAL, POLLUTION OR CONTAMINATION PROBLEM OR VIOLATION OF ANY LAW, RULE OR REGULATION, LESSEE WILL FORWARD A COPY OF SAME TO LESSOR BY CERTIFIED MAIL WITHIN SIXTY (60) DAYS. AS USED IN THIS PARAGRAPH, THE TERM "LAND" INCLUDES THE LAND COVERED BY THIS LEASE OR ANY LANDS POOLED THEREWITH. LESSEE'S INDEMNITY OBLIGATIONS SURVIVE FOR A TERM OF 7 YEARS AFTER THE TERMINATION OF THIS LEASE

17. Payment of Royalties. The rights of Lessor under this Lease shall be in addition to, and not in lieu of, all rights Lessor may have as to payment of royalty under Texas law, including, without limitation, V.T.C.A. NATURAL RESOURCES CODE §§ 91.401 through 91.405.

18. Inspection of Lessee's Records. Upon written request, at the expense of Lessor, Lessor and/or Lessor's representatives shall have the right, one time per year during normal business hours, to inspect all lease and title records and well records of Lessee relating to this Lease, operations conducted on or in connection with this Lease or lands pooled herein, and the sale and marketing of production from the Lease, including contracts for the sale of any production from the Lease, and the payment of royalties, including the right to audit Lessee's books insofar as they relate to the foregoing. Such inspection shall be limited to an annual basis only and during Lessee's normal business hours.

19. Implied Covenants. Nothing in this Lease negates the implied covenants imposed upon Lessee under applicable law.

20. Division Orders. If Lessee shall require the execution of a division order for payment of royalty payable under this lease, then the only form of division order permitted for Lessee's use shall be such form promulgated by the State of Texas and set forth in Section 91.402(d), of the Texas Natural Resources Code as amended from time to time, or a form in compliance with said statute. Transfer orders, if required, shall be solely for the purpose of confirming the interest transferred by Lessor. In the event of production, all division orders prepared by Lessee and its assigns shall eliminate all references to ratification of Lessee's acts and ratification of any related gas or oil purchase contracts. If such statements are contained therein, such ratifications are void and of no effect. Any amendment, alteration, extension or ratification of this Lease, or of any term or provision of this Lease, shall be made only by an instrument clearly denominating its purpose and effect, describing the specific terms or provisions affected and the proposed change or modification hereof, and executed by the party against whom any such amendment, alteration, extension or ratification is sought to be enforced, and any purported amendment, alteration, extension or ratification not so drafted shall be of no force or effect. Lessor royalty payment will have a clear, understandable report that sets forth the mcf and mmbtu produced, and the volume and location of all fuel or volume reductions to Lessor's share and all other information necessary to calculate the royalty payment.

21. Compliance With Governing Law. Lessee will conduct all operations under this Lease and/or on lands pooled herewith in compliance with the current and future rules of the Railroad Commission of Texas, and all federal, state and local laws, rules, regulations, and ordinances, including without limitation all environmental laws, rules, regulations and ordinances.

22. Excess Royalty Payments. Any payment of royalty or Shut-in Royalty hereunder paid to Lessor in excess of the amount actually due to the Lessor shall nevertheless become the property of Lessor if Lessee does not make written request to Lessor for reimbursement within one (1) year from the date that Lessor received the erroneous payment, it being agreed and expressly understood between the parties hereto that Lessor is not the collecting agent for any other royalty owner under the Land, and a determination of the name, interest ownership and whereabouts of any person entitled to any payment whatsoever under the terms hereof shall be the sole responsibility of Lessee. It is further expressly agreed and understood that this provision shall in no way diminish the obligation of Lessee to make full and punctual payments of all amounts due to Lessor or to any other person under the terms and provisions of this Lease. If Lessee provides proper and timely notice to Lessor of any Oil and Gas Lease

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overpayments made to Lessor, such overpayments shall only be made up by Lessee against future royalty payments to Lessor not to exceed more than twenty-five percent (25%) of any monthly royalty payment due Lessor. Should such monthly royalty payments cease under this Lease prior to Lessee recouping any such overpayments out of a portion of Lessor's monthly royalty, Lessee shall absorb such loss in its entirety without any liability to or reimbursement from Lessor.

23. Depth Severance. At the end of the primary term of this Lease, or any extension thereof, this Lease shall terminate as to all depths lying one hundred feet (100') below the stratigraphic equivalent of the deepest formation from which any well commenced in the primary term or any extension thereof is drilled and completed as a well capable of commercial production in paying quantities on any lands pooled with all or part of the Land.

24. Damages. Should Lessor or tenants on the Land suffer loss or damage to trees, water wells, fences and other personal property, buildings or other improvements as a result of Lessee's operations, including without exception fracing or water contamination under the terms of this Lease, Lessee agrees to pay Lessor or tenants the actual amount of their loss or damage, and any costs, expenses and/or attorneys' fees incurred in connection therewith. Lessor or tenants on the Land must have sufficient evidence to prove Lessee's actions were the direct cause of such damages. Furthermore, Lessee shall have the right to seek a judicial ruling on such damages before payment is made to the Lessor or tenants on the Land.

25. Release. In the event this Lease terminates for any reason as to all or any part of the Land, Lessee shall upon written request by Lessor, within sixty (60) days thereafter, deliver to Lessor a recordable release covering all of the Land or that portion of the Land as to which this Lease terminated.

(1) Environmental and Operational Provisions.

(a) Lessee shall use the highest degree of care and all reasonable safeguards to prevent contamination or pollution of any environmental medium, including soil, surface waters, groundwater, sediments, and surface or subsurface strata, ambient air or any other environmental medium in, on, or under the Land or lands pooled therewith, by any waste, pollutant, or contaminant. Lessee shall not bring or permit to remain on the Land or lands pooled therewith any asbestos containing materials, explosives, toxic materials, or substances regulated as hazardous wastes, hazardous materials, hazardous substances (as the term "Hazardous Substance" is defined in the Comprehensive Environmental Response Compensation and Liability Act (CERCLA), 42 U.S. C. Sections 9601, et seq.) or toxic substances under any federal, state or local law or regulation ("Hazardous Materials"), except ordinary products commonly used in connection with oil and gas exploration and development operations and stored in the usual manner and quantities. **LESSEE'S VIOLATION OF THE FOREGOING PROHIBITION SHALL CONSTITUTE A MATERIAL BREACH AND DEFAULT HEREUNDER AND LESSEE SHALL INDEMNIFY, HOLD HARMLESS AND DEFEND LESSOR, ITS AGENTS, EMPLOYEES, TENANTS, GUESTS, INVITEES AND THEIR RESPECTIVE SUCCESSORS AND ASSIGNS FROM AND AGAINST ANY CLAIMS, DAMAGES, JUDGMENTS, PENALTIES, LIABILITIES, AND COSTS (INCLUDING REASONABLE ATTORNEYS FEES AND COURT COSTS) CAUSED BY OR ARISING OUT OF (1) A VIOLATION OF THE FOREGOING PROHIBITION OR (2) THE PRESENCE, RELEASE OR DISPOSAL OF ANY HAZARDOUS MATERIALS ON, UNDER OR ABOUT SAID LAND OR LANDS POOLED THEREWITH DURING LESSEE'S OCCUPANCY OR CONTROL OF SAME. LESSEE SHALL CLEAN UP, REMOVE, REMEDY, AND REPAIR ANY SOIL OR GROUND WATER CONTAMINATION AND DAMAGE CAUSED BY THE PRESENCE OR RELEASE OF ANY HAZARDOUS MATERIALS IN, ON, UNDER OR ABOUT SAID LAND OR LANDS POOLED THEREWITH DURING LESSEE'S OCCUPANCY OF SAME IN CONFORMANCE WITH THE REQUIREMENTS OF APPLICABLE LAW. THIS INDEMNIFICATION AND ASSUMPTION SHALL APPLY, BUT IS NOT LIMITED TO, LIABILITY FOR RESPONSE ACTIONS UNDERTAKEN PURSUANT TO CERCLA OR ANY OTHER ENVIRONMENTAL LAW OR REGULATION. LESSEE SHALL**

IMMEDIATELY GIVE LESSOR WRITTEN NOTICE OF ANY BREACH OR SUSPECTED BREACH OF THIS PARAGRAPH, UPON LEARNING OF THE PRESENCE OF ANY HAZARDOUS MATERIALS, OR UPON RECEIVING A NOTICE PERTAINING TO HAZARDOUS MATERIALS WHICH MAY AFFECT SAID LAND OR LANDS POOLED THEREWITH. THE OBLIGATIONS OF LESSEE HEREUNDER SHALL SURVIVE THE EXPIRATION OR EARLIER TERMINATION FOR ANY REASON, OF THIS LEASE. THE OBLIGATIONS OF LESSEE HERUNDER SHALL SURVIVE THE TERMINATION OF THE LEASE.

(b) **Traffic and Road Usage.** Deleted.

(c) **Groundwater Protection.** Any oil or gas wells drilled by Lessee shall be drilled in compliance with the surface casing requirements imposed by the State of Texas for groundwater protection and Lessee shall install such surface casing in the required manner in order to insure the protection of all fresh water bearing formations in and under the Land.

(d) **Remedial Action.** Any remedial action or activities required of Lessee under this Lease shall be addressed and the remedial work commenced within the earlier of thirty (30) days or a reasonable amount of time under the circumstances, dependent on the nature of the remedial work, and must be diligently pursued until fully performed.

26. **Headings.** Paragraph headings are used in this Lease for convenience only and are not to be considered in the interpretation or construction of this Lease.

27. **Binding Effect.** This Lease is binding upon and for the benefit of Lessor, Lessee, and their respective heirs, personal representatives, successors, and assigns.

28. **Jurisdiction and Venue.** Jurisdiction and venue for any legal dispute between Lessor and Lessee related in any way to this Lease shall be in the court(s) of competent jurisdiction located in Tarrant County, Texas.

29. **Bankruptcy.** If Lessee, or any of Lessee's successors or assigns, shall file for relief at anytime under the federal bankruptcy statues of the United States and such filing effects Lessee's ability to pay royalties due under this Lease, then such filing shall result in the automatic, ipso facto termination of this Lease, effective one hundred twenty (120) days before the date of such filing.

30. **Encumbrances.** This Lease is subject to all licenses, permits, easements, rights of way, surface leases, restrictive covenants, and other contracts of Lessor, or its predecessors in interest, affecting the Land.

31. **Memorandum of Oil and Gas Lease.** Contemporaneously with the execution of this Lease, Lessor and Lessee have executed a Memorandum of Oil and Gas Lease, and Lessor and Lessee agree that such Memorandum of Oil and Gas Lease, which makes reference to this Lease, will be recorded in the appropriate records of the counties in which said Land is located in lieu of the recording of this Lease in its entirety. The recording of said Memorandum of Oil and Gas Lease shall be binding upon Lessor and Lessee, and their respective heirs, successors, legal representatives and assigns, the same as if this Lease was filed of record in its complete text.

Executed on the date first written above.

Lessor:



Signature

Ronald V. Franco

Printed Name / Title Owner lessor

ACKNOWLEDGEMENTS

STATE OF CALIFORNIA §

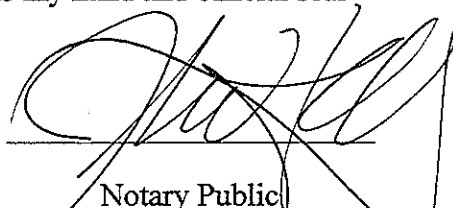
COUNTY OF Los Angeles §

On December 6th 2010 before me Jonathan Hall Notary Public,

personally appeared Ronald V. Franco, who proved to me on the basis of satisfactory evidence to be the person whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his authorized capacity, and that by his signature on the instrument the person, or entity upon behalf of which the person acted, executed the instrument.

I certify under PENALTY OR PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal

Signature 
Notary Public



(Seal)

LESSEE:
Chesapeake Exploration, L.L.C.
An Oklahoma limited liability company

By: _____
Henry J. Hood, Senior Vice-President
Land and Legal & General Counsel

gm
ad

STATE OF OKLAHOMA §
 §
COUNTY OF OKLAHOMA §

This instrument was acknowledged before me on this 30th day of December, 2010, by Henry J. Hood, as the Senior Vice President - Land and Legal & General Counsel of **Chesapeake Exploration, L.L.C.**, an Oklahoma limited liability company, on behalf of said limited liability company.

Given under my hand and seal the day and year last above written.

Christopher R. Laugel
Notary Public, State of Oklahoma



Notary's name (printed):

Notary's commission expires:

EXHIBIT "A"

Attached to and made a part of an Oil and Gas Lease dated DECEMBER 1,
by and between Ronald V. Franco, as "Lessor," and Chesapeake Exploration, L.L.C., an
Oklahoma limited liability company, as "Lessee."

1.37 ACRES OF LAND, MORE OR LESS, BEING LOT 6, BLOCK 1, AND A PORTION OF LOT 5-R-1, BLOCK 1, ALSO KNOWN AS 5-R-1-B, OUT OF THE LAKEVIEW SQUARE ADDITION, AN ADDITION TO THE CITY OF LAKE WORTH, TARRANT COUNTY, TEXAS BEING MORE PARTICULARLY DESCRIBED IN THAT CERTAIN PLAT RECORDED IN VOLUME 388-106, PAGE 46 OF THE PLAT RECORDS OF TARRANT COUNTY, TEXAS AND BEING MORE PARTICULARLY DESCRIBED IN THAT SPECIAL WARRANTY DEED DATED DECEMBER 23RD 1991, BETWEEN FEDERAL DEPOSIT INSURANCE CORPORATION, A CORPORATION ORGANIZED UNDER THE LAWS OF THE UNITED STATES OF AMERICA, AS GRANTOR, AND RONALD V. FRANCO, AS GRANTEE, AND RECORDED AS INSTRUMENT NUMBER D192035292, OF THE PUBLIC DEED RECORDS OF TARRANT COUNTY, TEXAS.